



State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

IDAHO REAL ESTATE COMMISSION

FY 2008, 2009, AND 2010

Report IC42910
Date Issued: July 8, 2011

Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

Don H. Berg, Manager

IDAHO REAL ESTATE COMMISSION

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Idaho Real Estate Commission covering the fiscal years ended June 30, 2008, 2009, and 2010. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Commission. However, our review identified issues with travel reimbursements.

FINDINGS AND RECOMMENDATIONS

There is one finding and recommendation in this report.

Finding 1 – Meals provided at conferences were reimbursed to travelers, in violation of State travel policies.

The complete finding is detailed on page 1 of this report.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

AGENCY RESPONSE

The Commission has reviewed the report and responded with a corrective action plan. The Commission's full response is on page 4 of this report.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

IDAHO REAL ESTATE COMMISSION FINANCIAL SUMMARY – FISCAL YEAR 2010

Fund	Fund Name	Beginning Appropriation/ Cash	Receipts/ Transfers	Expenditures/ Transfers	Ending Appropriations/ Cash
0229	State Regulatory Funds	\$3,745,444	\$1,188,775	\$1,272,632	\$3,661,587
0349	Miscellaneous Fund	17,009	1,609	18,618	0 *
0517	Recovery Fund	20,000	0	0	20,000 **
		<u>\$3,782,453</u>	<u>\$1,190,384</u>	<u>\$1,291,250</u>	<u>\$3,681,587</u>

* Balance was transferred to the Idaho State Police.

**Required to have a year-end balance of \$20,000 by Idaho statute.

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Real Estate Commission and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Jeanne Jackson-Heim, and her staff.

ASSIGNED STAFF

Lori Hendon, CPA, Managing Auditor

Elizabeth Yturalde, CPA, CGFM, In-Charge Auditor

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FINDINGS AND RECOMMENDATIONS

FINDING 1

Meals provided at conferences were reimbursed to travelers, in violation of State travel policies.

State travel policies established by the Board of Examiners apply to all official travel paid for by all departments, agencies, officers, boards, commissions, institutions, and other State entities. Payment of travel expenses is limited to costs authorized in these policies unless the Board of Examiners provides an exception. These policies specifically prohibit the reimbursement to the traveler for meals that are provided at a conference as listed on the conference agenda.

The Commission reimbursed conference meals to the commissioners and the director during the three-year period reviewed, in violation of State travel policies. We identified reimbursements totaling \$1,632 for meals that were provided at a conference as supported by the conference agenda. Although the Commission adopted a policy after the end of our review period that meals provided at the "ARELLO" conference are not included in the conference registration fee, this exception to State travel policies was not approved by the Board of Examiners and was not in effect during the review period.

RECOMMENDATION

We recommend that the Commission comply with State travel policies and exclude meals provided at conferences from the traveler's reimbursement, and that any exceptions to these policies are formally submitted and approved by the Board of Examiners.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The Commission acknowledges this finding and has revised its reimbursement procedures to comply with the Audit Recommendation.

The Commission wishes to explain its decision to reimburse the travelers was made in good faith, based upon a genuine belief that it was correctly interpreting and applying the State Travel Policy. State Policy at 12B states "if meals are furnished as part of a conference registration fee, the employee shall be reimbursed [only] for meals not provided...." The policy language does not purport to apply generally whenever meals are furnished, but instead specifies "if meals furnished as part of the conference registration fee." In light of this explicit language, the Commission interpreted the policy as being inapplicable where meals were not included in the registration fee, i.e., the meals listed in the ARELLO conference program. Those meals are generally offered as part of optional activities supported by event sponsors, or included as part of a committee or limited group assignment and not available to all conference registrants.

The Commission later revised its own internal travel policies to clarify - not deviate from or waive - the State Policy as it applied to travel to ARELLO conferences. The Commission sought and received confirmation from the State Controller's Office that its internal travel policy was consistent with the State Policy. Although the Audit Team has now determined that the reimbursements were not consistent with State Policy, the Commission would like to make clear that it acted openly, honestly, and in good faith at the time they were made.

AGENCY RESPONSE

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June 23, 2011

RE: Legislative Audit Report IC42910

This is our Agency Response to the Legislative Audit Update ("Audit") dated May 26, 2011. The Audit contained one finding, namely, that the Real Estate Commission violated State Travel Policies when it provided reimbursement for meals to travelers who attended ARELLO Conferences in 2008, 2009, and 2010. According to the Audit, reimbursement was prohibited because meals were provided at the conference as listed in the conference program/agenda. The Commission acknowledges this finding and has revised its reimbursement procedures to comply with the Audit Recommendation.

The Commission wishes to explain its decision to reimburse the travelers was made in good faith, based upon a genuine belief that it was correctly interpreting and applying the State Travel Policy ("State Policy"). State Policy at 12.B states: "If meals are furnished as part of a conference registration fee, the employee shall be reimbursed [only] for meals not provided . . ." The policy language does not purport to apply generally whenever meals are furnished, but instead specifies "if meals furnished as part of the conference registration fee." In light of this explicit language, the Commission interpreted the policy as being inapplicable where meals were not included in the registration fee, i.e., the meals listed in the ARELLO conference program. Those meals are generally offered as part of optional activities supported by event sponsors, or included as part of a committee or limited group assignment and not available to all conference registrants.

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Thank you for the opportunity to provide this response and for the professionalism and assistance of Auditor Liz Yturalde and the Legislative Audits staff.

Sincerely,

A handwritten signature in cursive script that reads "Jeanne Jackson-Heim".

Jeanne Jackson-Heim
Executive Director

APPENDIX

HISTORY

The Idaho Real Estate Commission was created July 1, 1947, under Idaho Code, Title 54, Chapter 20. The Commission was placed under the Department of Self-Governing Agencies by legislative action and reorganization of State agencies on July 1, 1976.

ORGANIZATION

The Commission comprises four members appointed by the Governor, one each from the southwest district, south central district, southeastern district, and northern district. Each member is required to be a licensed real estate broker with at least five years experience in the Idaho real estate business. This structure is delineated in the organization chart that follows.

The Commission is empowered to appoint an executive director and other assistants as the Commission deems necessary.

PURPOSE

The Commission shall conduct, or cause to be conducted, examinations to determine the competency of applicants for a real estate license. To accomplish this purpose, the Commission is expressly vested with the power and authority to make and enforce rules and regulations.

FUNDING

The Commission is funded primarily by fees paid to issue and renew real estate licenses. Other fund sources include the sale of printed material, library rentals, and continuing education seminars. Following is a description of funds used by the Commission.

Regulatory Fund (0229) – The Commission receives fees collected from real estate professionals for licensing, training, fines, and various other reasons. The money is used to administer the State's Real Estate Brokerage Laws, as set forth in Idaho Code, Section 54-2038. These laws include provisions for the Commission's general operating costs, improvement and education of real estate professionals, and promotion and advertising of Idaho at the direction of the Commission.

Real Estate Recovery Fund (0517) – As required by Idaho Code, Section 54-2069, this fund maintains a balance of \$20,000. Applicants for original and renewal licenses pay \$20 as part of the license fee, used to replenish this recovery fund as needed. The money is used to satisfy claims from any person who obtains a final judgment against any licensee based on fraud, misrepresentation, or deceit with reference to any transaction for which a real estate license is required. Recovery from the fund is allowed only after the aggrieved party has taken all reasonable steps to collect the judgment amount and has been unsuccessful. Recovery from the fund is limited to \$10,000 per licensee per year.

